

## AUDIT & RISK MANAGEMENT COMMITTEE CHARTER

23 March 2021 | Version 1.2

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### 1. Introduction

#### 1.1 Purpose of Charter

This is the Charter of the Audit and Risk Management Committee established by the Board of Pro Medicus Limited ACN 006 194 752 (the **Company**) (the **Charter**). The Charter governs the operations of the Audit & Risk Management Committee. It sets out the Committee's role and responsibilities, composition, structure and membership requirements.

#### 1.2 Purpose of Committee

The Committee has been established to assist the board of the Company (**Board**) in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process and internal control structure, risk management systems (financial and non-financial) and the external statutory audit process. Accordingly the Committee will meet on a regular basis to:

- (a) review and approve external statutory audit plans;
- (b) review and approve financial reports;
- (c) review reports arising from any risk assurance activities;
- (d) assess the independence and performance of, and recommend the appointment or removal of, external auditors or an internal head of audit;
- (e) review the adequacy of the Company's corporate reporting processes and internal control and risk framework; and
- (f) review the effectiveness of the Company's compliance and risk management functions.

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### 2. Membership

#### 2.1 Composition of committee

The Committee will:

- (a) consist of the members of the Board unless the Board determines otherwise and in those circumstances, consist of at least three Directors appointed by the Board, all of whom will be non-executive Directors and the majority of whom should be independent<sup>1</sup> (**Independent Directors**);

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<sup>1</sup> Refer to the meaning of independent as discussed in the Corporate Governance Principles and Recommendations (4th edition) of the ASX Corporate Governance Council and outlined in Schedule 1.

- (b) have an independent chairperson, who will be appointed by the Board from time to time, but who will be an Independent Director (**Committee Chair**);
- (c) have a secretary, who is to be the Company Secretary, or such other person as nominated by the Board (**Committee Secretary**);
- (d) be of sufficient size, independence and technical expertise to discharge its mandate effectively;
- (e) comprise members who are financially literate (as in, members who can read and understand financial statements); and
- (f) include at least one member who has accounting and/or related financial management expertise and some members who have an understanding of the industries in which the Company operates.

## 2.2 Ceasing to be a member of the committee

A person will cease to be a member of the Committee if:

- (a) the person gives reasonable notice in writing to the Committee Chair of the person's resignation as a member of the Committee;
- (b) the Committee Chair on the advice of the Board, gives the person notice in writing that the person is to cease to be a member of the Committee; or
- (c) the person ceases to be a Director, in which case the person automatically ceases to be a member of the Committee.

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## 3. Meetings & authority of committee

### 3.1 Meetings

- (a) The Committee will meet as often as necessary to undertake its role effectively, being at least three times each calendar year.
- (b) The Committee Chair must call a meeting of the Committee if so requested by any Committee member, the CEO (or equivalent), the Chair of the Board, an internal or external auditor or the Company Secretary.
- (c) The Committee will meet in private session at least annually to assess management's effectiveness.
- (d) The quorum for any meeting will be 2 members, including the Committee Chairman or designate, of whom at least one must be an Independent Director.
- (e) The Committee may invite other persons, including internal specialists or external advisers, to attend meetings, as it deems necessary, whether on a permanent or ad hoc basis.
- (f) The Committee Secretary will circulate a notice of each meeting confirming the venue, date and time, together with an agenda of items to be discussed, to each Committee member, any other person required to attend and each executive Director at least two to five days prior to the date of the meeting, unless shorter notice is agreed upon by all participants.
- (g) The proceedings of all meetings will be minuted and these will be included in the papers for the next Board meeting after each Committee meeting.

## **3.2 Authority**

The Board authorises the Committee, within the scope of its responsibilities, to:

- (a) investigate any matter brought to its attention with full access to all books, records and facilities;
- (b) seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties;
- (c) obtain outside accounting, legal, insurance, compliance, risk management or other professional advice as it determines necessary to carry out its duties;
- (d) interview management and internal and external statutory auditors (with or without management present); and
- (e) ensure the attendance of Company officers at meetings as it deems appropriate.

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## **4. Duties and responsibilities**

### **4.1 Understanding the Company's Business**

The Committee will ensure it understands the Company's structure, business and controls to ensure that it can adequately assess the significant risks faced by the Company.

### **4.2 Corporate Reporting**

The Committee's primary corporate reporting responsibility is to oversee the Company's corporate reporting process on behalf of the Board and to report the results of its activities to the Board. The Committee will:

- (a) review and make recommendations to the Board regarding the adequacy of the Company's corporate reporting processes and internal control frameworks;
- (b) review the Company's financial statements to determine whether they reflect the understanding of the Committee of, and otherwise provide a true and fair view of, the financial position and performance of the Company and other group entities and make any necessary recommendations to the Board;
- (c) review significant accounting policies adopted by the Company to ensure compliance with AIFRS or IFRS and generally accepted accounting principles;
- (d) review and make recommendations to the Board regarding the appropriateness of the accounting judgements or choices exercised by management in preparing the Company's financial statements;
- (e) ensure that before the Board approves the Company's financial statements for a financial period, that the Board and the Committee first receive from the CEO (or equivalent) and the CFO a declaration that, in their opinion, the financial records of the Company and its controlled entities have been properly maintained and that the financial statements comply with the applicable accounting standards and give a true and fair view of the financial position and performance of the Company and its controlled entities and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively;
- (f) consider financial matters relevant to half yearly reporting in a timely manner; and
- (g) review other financial information distributed externally as required.

### **4.3 Oversight of risk management framework**

- (a) The Committee's primary risk management responsibility is to monitor and review the Company's risk management framework at least annually to assess whether it is sound and is operating in accordance with the nature and extent of the acceptable levels of risk determined by the Board and report to the Board on the results of those assessments.
- (b) The Committee will:
  - (i) maintain an up to date Register of areas where the Company is, or may be exposed to risk and compliance issues, and review whether management is effectively managing those issues;
  - (ii) monitor the adequacy of the Company's processes for managing risk, including management's performance against the Company's risk management framework and whether management is operating with due regard to any risk appetite set by the Board, and whether the Company is adequately addressing financial and non-financial risk and contemporary and emerging risks such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change;
  - (iii) make recommendations to the Board regarding changes that could be made to the Company's processes for managing risk or to the risk appetite set by the Board;
  - (iv) consider the need for an internal audit function or review of the adequacy of the Company's processes for managing risks;
  - (v) receive reports on any material incident involving fraud, breach of the Company's risk controls or other failure of the Company's internal controls, and the relevant "lessons learned";
  - (vi) receive regular reports from management on new and emerging sources of risk and the risk controls that management has put in place to deal with those risks; and
  - (vii) oversee the Company's insurance program, having regard to the business of the Company and its controlled entities and the insurable risks associated with the business.

### **4.4 Reporting to the Board**

- (a) The Committee will regularly report to the Board on all matters relevant to the Committee's role and responsibilities.
- (b) The Chair will report and as appropriate make recommendations to the Board after each meeting of the Committee on matters dealt with by the Committee.
- (c) As and when appropriate, the Committee will seek direction and guidance from the Board on audit, risk management and compliance matters.
- (d) The Committee will ensure that the Board is made aware of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Company in a timely manner.

### **4.5 Assessment of accounting, financial and internal controls**

Periodically, the Committee will meet separately with management, the internal auditors and the external statutory auditors to discuss:

- (a) the adequacy and effectiveness of the accounting and financial controls including but not limited to the Company's policies and procedures to assess, monitor, and manage business risk and legal and ethical compliance programs;
- (b) the appropriateness of the accounting judgements and choices exercised by management in preparing the Company's financial statements; and
- (c) issues and concerns warranting Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement.

The Committee will provide sufficient opportunity for the internal auditors and the external statutory auditors to meet privately with the members of the Committee. The Committee will review any audit problems or difficulties regarding management's response with the external statutory auditor.

The Committee will receive regular reports from the external statutory auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

#### **4.6 Appointment of external statutory auditors and scope of external statutory audit**

The Committee will:

- (a) make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external statutory auditors and resolution of disagreements between management and the auditor regarding financial reporting<sup>2</sup>;
- (b) review and make recommendations to the Board regarding the rotation of the audit engagement partner of the external statutory auditors;
- (c) review and make recommendations to the Board regarding fees payable to the external auditor for audit and non-audit services;
- (d) consider the scope and adequacy of the external statutory audit;
- (e) discuss with the external statutory auditors the overall scope of the external statutory audit, including identified risk areas and any additional agreed-upon procedures;
- (f) make recommendations to the Board regarding any proposal for the external auditor to provide non-audit services and whether this might compromise their independence;
- (g) make recommendations to the Board regarding disclosure (for example in its corporate report, the governance disclosures in its annual report or on its website) of its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external statutory auditor; and
- (h) ensure that the terms of appointment of the external auditors includes a requirement to attend (including via telephone or videoconference) the annual general meeting (**AGM**) of the shareholders of the Company and that they are available at the AGM to answer any questions from shareholders relevant to the audit.

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<sup>2</sup> When recommending the appointment of an auditor or assessing potential and continuing auditors, directors and members of the Audit & Risk Management Committee will have regard to best practices, including guidance outlined in ASIC's paper on Audit quality: The role of directors and audit committees ([ASIC Information Sheet 196](#))

#### **4.7 Pre-approval of audit and non-audit services provided by external statutory auditors**

- (a) The Committee will pre-approve all audit and non-audit services provided by the external statutory auditors and will not engage the external statutory auditors to perform any non-audit/assurance services that may impair or appear to impair the external statutory auditor's judgement or independence in respect of the Company.
- (b) The Committee may delegate pre-approval authority to a member of the Committee subject to agreed principles. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

#### **4.8 Assessment of the external audit**

- (a) The Committee will review and assess the independence and performance of the external statutory auditor, including:
  - (i) a review of any relationships with the Company or any other entity that may impair or appear to impair the external statutory auditor's judgement or independence in respect of the Company; and
  - (ii) a review of any appointments of the external statutory auditor to provide non-audit services and whether those appointments may impair or appear to impair the external statutory auditor's judgement or independence in respect of the Company.
- (b) The Committee will draft an annual statement for inclusion in the Company's annual report as to whether the Committee is satisfied the provision of non-audit services is compatible with external auditor independence.

#### **4.9 Compliance with Laws and Regulations**

The Committee will:

- (a) gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and review these areas on a regular basis;
- (b) obtain regular updates from management, the Company's legal counsel, auditors and any external parties as it thinks fit regarding audit, risk management and compliance matters and regularly review existing compliance systems and consider any deficiencies in compliance risk measures;
- (c) review any legal matters which could significantly impact the Company's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports;
- (d) review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance;
- (e) be satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents; and
- (f) review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators.

#### **4.10 Review of media releases, announcements and complaints**

The Committee will:

- (a) regularly review the operation of the Company's Continuous Disclosure Policy and Communications Policy and discuss media releases, ASX announcements (as far as reasonably practicable) and assess any other information provided to analysts and whether any changes are required;
- (b) review the appropriateness of processes management has in place to ensure that the information and representations contained in all representation letters signed by management to ensure that the information provided is complete and appropriate;
- (c) establish procedures for the receipt, retention, and treatment of complaints or incidents received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (d) review corporate legal reports of evidence of a material violation of the *Corporations Act 2001* (Cth), the ASX Listing Rules or breaches of fiduciary duties; and
- (e) receive copies of any reports compiled by whistleblower protection officers in respect of any whistleblowing complaints (in accordance with anonymity and confidentiality requirements).

#### **4.11 Committee performance**

- (a) The Committee will review its performance at least every two years to determine whether it is functioning effectively by reference to current best practice.
- (b) The Board will evaluate the performance of the Committee as appropriate.

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### **5. Other matters**

#### **5.1 Amendment of Charter**

This Charter can only be amended with the approval of the Board.

#### **5.2 Adoption of Charter and periodic review**

This Charter was adopted by the Board on the date on the front cover of this Charter, and takes effect from that date and replaces any previous charter in its entirety.

The Committee must review and reassess this Charter and the Risk Management Policy at least annually and, on each occasion, obtain the approval of the Board to any amendments to the Charter or Risk Management Policy. Such review should be undertaken to enable the Committee and the Board (as applicable) to satisfy itself that the Risk Management Policy and this Charter continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.

The Company Secretary will communicate any amendments to employees as appropriate.

## **Schedule 1 - Independence as defined by the ASX Corporate Governance Council in their Corporate Governance Principles and Recommendations (4th edition)**

A director of a listed entity should only be characterised and described as an independent director if he or she is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party.

The ASX Corporate Governance Principles and Recommendations (4th edition) provide certain examples for assessing the independence of directors and outline relationships which may affect independent status. They provide that when determining the independent status of a director the board should consider whether the director:

1. is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board;
2. receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the entity;
3. is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the entity or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;
4. is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
5. has close personal ties with any person who falls within any of the categories described above; or
6. has been a director of the entity for such a period that their independence from management and substantial holders may have been compromised.

Where a director falls within one or more of these examples, the board should rule the director not to be independent unless it is clear that the interest, position or relationship in question is not material and will not interfere with the director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party.